



**MAYOR JERRY SANDERS  
CITY OF SAN DIEGO  
STATE OF THE CITY  
JANUARY 11, 2007**

Thank you and good evening.

I am proud to be the mayor of a city that is once again filled with tremendous promise and a willingness to embrace new ideas.

I am proud as well to share this moment with my family - my wife Rana and my daughters Lisa and Jamie.

With us tonight are some of our most important partners in the effort to reform City government. These are the city employees who have weathered the tough times and doubt of the past few years and who have continued to serve us all.

I would ask that all city employees who are here tonight stand for just a moment.

I know this has not been an easy time for you. As individuals, you didn't cause the problems we face but you will play an important role in implementing their solutions. You have continued to fulfill your responsibilities and obligations with dedication and honor and I am proud to recognize your efforts in transforming our city.

We come together this evening because our City Charter requires that on or before the 15<sup>th</sup> of January of every year, the mayor communicates the state of the city's affairs.

By design, this evening, you will not hear me announce any dramatic new initiatives that cost a lot, dream big but result in little. That's just not where our city is right now. The reality is that prior city management left us a legacy that requires us to focus all of our energy and resources on saving -- and then nursing back to health -- the very institution of city government.

**Chapter 1: 99% of the things in San Diego are going well**

In various speeches that I made to the financial markets over the past year, I've explained that the state of our city is strong, perhaps one of the strongest in the nation. I have told audiences that 99% of the things in the City of San Diego are going extremely well. And they are.

San Diego has one of the nation's most vibrant and robust economies. Our tourism and convention markets are the envy of the nation. We are also fortunate to live in one of the safest cities in the United States. We are the proud home of more active duty Navy and Marine personnel than anywhere else in the country – with all of the advantages that having the military as your neighbor brings. We boast two division winning professional sports teams – the San Diego Padres and the Super Bowl-bound San Diego Chargers. Our academic and cultural institutions continue to receive international acclaim. Our spectacular natural resources create a quality of life unmatched by other regions of the country. And our cultural diversity and ethnic harmony are a credit to our city's residents.

## **Chapter 2: State of the City remains “Unsatisfactory”**

About the only thing that has not gone well over the past decade is city government.

The problems of the past are so far reaching that they challenge our recovery. Although we instituted significant reforms and made considerable progress in 2006, the state of our city government remains unsatisfactory and continues to stand in sharp contrast with the community overall.

Our problems in virtually all cases have been compounded. Bad decisions have been compounded by even worse decisions. While it may take years, I commit to you that we will untangle them, and institute the proper reforms so that they never happen again.

Therefore, the positive transformation of city government will continue to be a work in progress for the foreseeable future. Anyone that tells you otherwise -- or asserts that it can happen quickly or without sacrifice -- either doesn't understand the depth of our problems or is not being candid. I think it's fair to say that the problems are more severe, more complicated than what I previously anticipated.

## **Chapter 3: 2007 will be a year of Action**

We have begun our long and shared journey toward a more positive future for our community. I think that history will record 2006 as a pivotal year for our city; a year in which the sins of the past were acknowledged and we began transforming our destiny. The problems can be solved – they will be solved – but it will take time.

2006 will be in sharp contrast with 2007. 2007 will be a year of action.

## **Chapter 4: 2006 Accomplishments**

Never before has our city been under such intense scrutiny; from government regulators, from the media and from our own citizens. That scrutiny is well deserved and I certainly don't wish it away. In fact, I think it's a positive force and provides decision makers with the steely resolve we need to do what's right.

Sometimes though, the intense criticism and constant second-guessing can create a false reality. An environment in which our shared progress is not acknowledged, much less celebrated. So I want to take a moment here to acknowledge some of what we, together, accomplished in 2006.

With the support of the City Council and City Attorney, we implemented the strong mayor form of government, a sea change of historic proportions for this city. So much could have gone wrong – but it didn't.

Simultaneously, we launched the most far-reaching reform process in the city's history, Business Process Re-engineering, or BPR. It's been said that this was the equivalent of performing open-heart surgery on a marathon runner -- while running a race. Nothing truer has been said.

During my term in office, virtually every city department, process or service will be heavily scrutinized with an eye toward doing it better, faster, more efficiently and cheaper. To date, 20 departments or functions have launched BPR's and 10 have been completed. Many more will follow.

We completed the long, tortuous and expensive Kroll investigation into our city's past disclosure practices, internal controls and financial reporting. I fully embraced the dozens of reforms proposed and we will work tirelessly to implement them.

We also successfully negotiated a consent decree with the Securities and Exchange Commission. The conclusion of Kroll combined with the SEC settlement will help bring closure to this chapter in our city's history. San Diego City government now has in place the most extensive financial safeguards and the most thorough disclosure policies of any local government in America.

The past year also saw San Diego well represented in the corridors of power in both Washington, D.C. and Sacramento. There is no clearer indicator of our progress than the recent great news about the upgrade of our homeland security grant status. One year ago, I was given the news that the City of San Diego had been taken off the primary funding list for homeland security grants. We immediately jumped into action, worked collaboratively with our congressional delegation and today, San Diego is once again on the primary funding list.

Since we last met in this setting, I also proposed -- and voters approved -- two Charter amendments aimed at reform: managed competition and voter approval for any future pension benefit increases.

Managed competition will give our city employees the opportunity to prove that they can provide city services efficiently and cost effectively. The Charter amendment and its implementing ordinance contain a number of safeguards that create a fair, honest and level playing field. By way of the Independent Review Board, citizens will continue to have a voice in this important process.

I was also gratified that voters approved a Charter amendment that requires them to approve any future pension benefit increases for city employees. They rightly should approve what they are being asked to pay for.

We proposed and successfully shepherded to passage, the city's first accurate budget, just 129 days after taking office; we launched a massive re-organization of city functions, aimed at greater efficiency; eliminated the city's practice of having phantom employees; restructured the city's mis-managed Real Estate Assets Department; kept crime at historic lows; and instituted the city's first ever Office of Ethics and Integrity to help change a City Hall culture whose management was steeped in denial and distrust.

All of this while constantly communicating with you, our citizens, telling you the truth for the first time in an awfully long time. And of course, continuing to provide quality services on a daily basis, 365 days a year, to our city's 1.3 million residents. It's been a long and challenging year.

#### **Chapter 5: 2006: Unraveled messes, formulated reforms, now ready for implementation**

Wisely, we have used the past year to take stock of our complicated set of circumstances; to begin unraveling the messes left to us; and to stabilize the institution. It was time well spent -- because without it, we would not be poised to thoughtfully implement the reforms that I now propose. These won't be quick fixes. These are the kinds of reforms that will remake our city government into a model for the nation.

Last year, I committed my administration to the meat and potatoes work of completely reforming and revamping the financial and managerial operations of city government. That is the work that I will dedicate myself to during the two years that remain in my term of office.

If I have done my job well and carried out my promise of leading a transparent administration in constant touch with our citizens, then much of what I say this evening will not be new to you.

What San Diegans have in me is a person who will work every day and continuously fight to make incremental progress toward our shared end goal -- which is to transform this city's government into an efficient and sustainable organization that provides its citizens with first rate services; lives within its means; can incubate a vibrant economy; and finally, and some would argue most importantly, to recreate a city government that keeps faith with its citizens and earns their trust.

#### **Chapter 6: Mayor will continue to work close with Council and City Attorney**

I will continue to work closely with the City Council and the City Attorney.

Our new strong mayor form of government anticipated a healthy adversarial relationship between the legislative and executive branches of city government, and we've certainly had that. We benefit greatly from the checks and balances created by the strong mayor reform. Had they been in place during the preceding decade, many problems could have been avoided.

I want to thank the City Council for helping me advance my reform agenda by placing Propositions B and C before the voters. I also want to thank them for their support in advancing the city's water and wastewater infrastructure.

I would also like to acknowledge the City Attorney for his advice, his counsel and his support on a whole host of reform issues.

### **Chapter 7: Tax Increase/Bankruptcy NOT options for Mayor**

There is a fundamental debate currently raging that is less public but no less significant.

Some at City Hall think the only way to solve our city's financial problems is to raise taxes. Others have come to the conclusion that the only solution is bankruptcy.

You all know where I stand. I don't think city government should be trusted with new tax revenues until we demonstrate the discipline to spend the money we already get efficiently and effectively.

Likewise, bankruptcy will not be an option for the City of San Diego while I am mayor. Let me repeat that: I do not support nor will I ever recommend that the city ever file for bankruptcy. I don't think bankruptcy does anything to solve the underlying structural issues that created the city's problems. As in Orange County, bankruptcy would just delay the day of reckoning by a decade or two, while impacting our credit rating and reputation for years to come.

### **Chapter 8: The Truth about the City's Financial Situation**

The greatest legacy that we can leave this city is a fiscally sound and sustainable organization. We have the opportunity to begin that effort in earnest this year with the 5 year financial plan that I have proposed. The plan provides the framework for the budget proposals that I will make to the Council over the next 5 years.

I've been known for plain talk so let me give it to you straight.

The truth is that the City of San Diego does not live within its means. Over the past decade, the city took on several large, long-term obligations and the truth is that the city has done little to fund them.

The truth is that one of the largest obligations is to our pension system. To date, the courts have ruled that we must pay the benefits promised to city employees. Until such time as the City Attorney is successful, we must acknowledge and honor the court's position.

The truth is that if we continue to ignore the pension deficit – or any of the other obligations that I will detail in a moment – it will place our taxpayers at great peril and continue the “business as usual” practices that our citizens so desperately want to reform.

The truth is that the only way that we can accomplish a sustainable organization is to live within our means. To do so, we will not be able to provide city services in the same manner that we do so today. We simply can't afford it.

This isn't perfect and I won't claim for a moment that it will be easy. Difficult decisions will have to be made. City employees – from managers on down -- will be laid off and programs will be cut.

But the truth is that unless the city's many long-term obligations are funded, they threaten to overwhelm us. The time to deal with these problems is now -- and we will.

This evening, I'd like to discuss 6 of the priorities that are included in my 5 year plan. Many of them are unfortunately burdens left to us by past administrations.

The elements that we'll discuss this evening include:

- for the first time in our history, meaningfully funding the city's deferred maintenance and capital improvements needs;
- funding our storm water system to foster an environmentally healthy community;
- complying with the Americans with Disabilities Act, to provide improved access for those with disabilities;
- increasing our General Fund reserves to a more prudent 8%, to save the city money;
- making an actuarially responsible contribution to the pension debt, while working aggressively to reduce the unfunded liability; and
- finally, funding retiree healthcare costs, while moving to reduce this liability.

## **Chapter 9: Mayor makes commitment to deferred maintenance/capital improvements**

Each of these areas bears further explanation.

I'll begin by stating that we must make a meaningful commitment to our city's deferred maintenance and capital improvement needs. This is certainly one area in which past city managers should have heeded the timeless expression: an ounce of prevention is worth a pound of cure.

Last year, we launched an inspection and evaluation of our city's facilities and streets. Such a comprehensive undertaking of this kind had never taken place. The city has a massive backlog of projects that have been ignored. They must be addressed.

In order to accomplish this goal, I propose to dedicate an increasing amount of our funds over the course of the next 5 years. The money will be used to fill potholes, repair streets and put new roofs on our libraries, police and fire stations.

## **Chapter 10: A commitment to the City's Storm Drain System and ADA**

Second, as the result of a new pending permit from the Regional Water Quality Control Board, we will soon have new compliance requirements for our storm water system. As part of the 5 year plan, it is my proposal that we responsibly fund these regulatory requirements so that we can continue to nurture an environmentally sensitive community.

The city has failed to fully address its obligations under the Americans with Disabilities Act. It's my recommendation that we dedicate \$50 million over the next 5 years to ensure that we conform to the law and provide improved access for those with disabilities.

For over a decade, the City has ignored its deferred maintenance and capital improvement needs. These improvements will most certainly improve the quality of life for each of you.

## **Chapter 11: Commitment to reserves**

It is also my recommendation that we establish a minimum of 8% reserve for our general fund. Reserve funds are critical in allowing cities to weather unforeseen circumstances. Additionally, they are an indicator to Wall Street of the city's financial strength and when adequate, will save the city money when we borrow for critical infrastructure projects. Our current reserve funds are below acceptable levels. The five year plan would require a total commitment of approximately \$37 million to supplement our General Fund reserves.

## **Chapter 12: Mayor's plan to pay off the pension debt**

My 5 year plan includes an actuarially responsible contribution to the pension debt, while working aggressively to reduce the unfunded liability. I propose to pay the pension debt off in 20 years. We selected this timeframe because we immediately start paying into the principle of the debt as opposed to just paying interest. This is a responsible manner in which to address our pension liability.

This strategy however does not come without a price. In addition to our required contribution, the city would make an additional \$27 million payment each year.

I will also be using staffing reductions and collective bargaining sessions to reduce the pension's unfunded liability to more manageable levels so the impact of these payments on the city's general fund can be reduced.

## **Chapter 13: Mayor's plan to reduce the City's retiree healthcare liability**

Lastly, we need to dedicate more resources to our retiree healthcare obligation, while simultaneously working to reduce this liability. At present, the city pays only the healthcare obligation for the current year for its employees and retirees – and puts no money away for future obligations. As a result, the city's retiree healthcare system has an unfunded liability of \$1.4 billion.

Left untouched, the unfunded liability would soon reach over \$2 billion. This is a calamity that we can avoid if we take our tough medicine now and do what's right.

We will proactively address this debt by establishing a trust fund into which we will make gradually accelerated payments. For instance, we would start out this coming fiscal year, by making an additional \$25 million payment. Next year, that would increase to \$50 million and the following year, it would reach \$75 million.

Paying down the debt on these two employee benefits is merely a beginning. Much more must be done to both stabilize and make city finances more predictable going forward. I want to take a moment and speak to these two employee benefits because they are the subject of great ire for many in our community.

#### **Chapter 14: Mayor pursues major changes to City's pension and retiree health systems**

I intend to pursue major changes to the city's pension and retiree health systems. One of the ways that I intend to get this done is by creating a new pension plan for new city employees. The only practical time to negotiate this change is when all of the labor unions are at the negotiating table this time next year.

The goal of my efforts is to create a sustainable organization. To shift away from a strategy of confrontation and litigation to one in which we create fair and equitable systems.

The healthcare arena is also a policy area begging for reform. Over the years, the city has allowed the various unions' involvement in the procurement and administration of employee healthcare to escalate. Their involvement has become inefficient.

I believe that we should reduce the number of insurers as well as the number of plans the city offers its active employees. At present, the city offers employees access to 21 plans offered by 11 insurers. Why is this? Because of past city management's incompetence and a capitulation to special interests.

With that many plans, the city will never be able to maximize its purchasing power and achieve the economies of scale that it rightly should. We will also take a hard look at the level of benefits offered under our healthcare plans.

#### **Chapter 15: Funding liabilities will result in deficit**

The accumulative affect of funding these long-term liabilities are budgetary deficits. In Fiscal Year 2008, that deficit is projected to be at least \$87 million. But a more accurate reflection of our problem is Fiscal Year 2009, when the deficit increases to at least \$174 million. I say "at least" because this number does not assume any compensation increases for police officers, still to be negotiated so that we can recruit and retain qualified officers.



## **Chapter 16: Audit Status**

I want to speak for a moment to the city's outstanding audits for Fiscal Years 2003 through 2006. Unprecedented in city history – and I dare say in American municipal government history -- we intend to issue financial statements – and receive audit opinions -- for these four years in 2007. The issuance of our audits for FY03, 04 and 05, at a minimum, will be necessary before we can re-access the public credit markets.

I want to assure San Diegans that we continue working diligently with KPMG so that the city can receive its 2003 opinion letter. Once we receive that letter, the 04 audit will follow within 30 days and the 05 audit within approximately 90 days. It is still my intention to access the public credit markets sometime this summer. In the meantime, the city will access private capital for our much needed infrastructure improvements.

## **Chapter 17: Mayor addresses City deficits through employee reductions, cuts**

The Charter requires me to present a balanced budget to the City Council and I intend to do so on April 13<sup>th</sup> of this year. To address the deficits, I have proposed a number of cuts that we intend to implement. Many will come from our BPR and governmental efficiency efforts. Those efforts account for a portion of the 959 positions I propose to eliminate over the next 3 years, including over 650 positions this year.

Clearly, this will require belt tightening on all of our parts: city employees and residents alike. I believe my 5 year plan to be in the long term best interests of our city and its residents. There will undoubtedly be pain at the beginning but unless we make significant reforms, our precarious situation is bound to worsen quickly, leaving us in even more dire straights.

## **Chapter 18: Mayor proposes major water and wastewater improvements with safeguards**

The 5 year plan covers only a portion of our city's long-term obligations. The other massive set of reforms that we embarked upon last year were improvements to our water and wastewater infrastructure.

Most of our water pipes date back to the 1940's or 50's. Some date back even farther. The cast iron pipe that broke last Friday morning at the intersection of 5th Avenue and A Street downtown was manufactured in 1895 and was installed at that location in May 1905.

With evidence of the crumbling infrastructure everywhere around us, we crafted a proposal to make \$1.4 billion in improvements to both systems over the next several years.

I understand the value of every penny so I want to assure our ratepayers that their money will be used wisely and appropriately. My proposal contains a number of important safeguards. Every penny that is saved as a result of efficiencies that we bring to bear will be put in a lockbox and used to fund future improvements.

We will also take the unprecedented step of conducting full financial and performance audits every year on both enterprise funds. The results of those audits will be submitted to an Independent Review Committee that will be appointed to ask the hard questions and ensure their accuracy.

It is also my goal to prepare both systems for managed competition. In order to make the systems worthy of private sector interest, it will take time to make them the most efficient organizations they must first become. To allow for maximum flexibility, I will propose that we limit any new Bid to Goal agreements with labor to one year increments.

#### **Chapter 19: Mayor proposes Charter Review Committee**

Tonight, I propose the formation of a Charter Review Committee. In the city's first year under strong mayor, there have been a number of instances in which our citizens would have been better served by more comprehensive legislation. Where roles and functions are unclear, the people's business will suffer. And this makes a fresh review of the Charter a priority for my administration.

#### **Chapter 20: San Diego remains one of the safest large cities in America**

Public safety remains my number one operational priority.

San Diego has been and remains one of the safest large cities in the country. In fact, our city was recently rated as the fourth safest large city in America. For the eighth time in the past ten years, crime went down in 2006.  

Tonight, I am pleased to announce that for all of 2006, overall crime was down by 2.3% in our city and violent crime was down 3.2%, when compared to 2005. In the past 6 years, San Diego's crime rate has decreased to levels comparable to those in the late 1960's.

The impressive statistics I just announced are thanks in large part to the hard work of the dedicated members of the San Diego police department, sworn and non-sworn alike, and the power of the strong community partnerships they have forged.

This past year, I ordered the first independent and comprehensive city employee compensation studies in our history. The first of those studies to be completed was the one for our police officers. I ordered that this study be done first because of the struggle to retain and recruit quality police officers.

In order to stem the tide of departures, I have told officers that I intend to correct the take home pay deficiency identified in the study at the negotiating table starting this month. That said, any decision to expend taxpayer funds will only be made by me after careful consideration. And only if I believe it is well reasoned and in the best interests of our community.

### **Chapter 21: Fire Chief to prepare new strategic plan for department**

Last year, I was pleased to appoint a dynamic leader as the chief of the city's Fire-Rescue Department, Tracy Jarman. She has unified our department and regionally, she has worked hard to bring the fire service community together so that it works in a cooperative manner.

Over the course of the next twelve months, I have asked Chief Jarman to complete a realistic strategic plan for the department. The plan will take a fresh new look at the department's most pressing needs including equipment and critical locations for new fire stations.

### **Chapter 22: Mayor to hold town hall meetings throughout San Diego**

Part of what I love most about my job is the opportunity to connect and speak with San Diegans from all walks of life. Without exception, every citizen that I speak with has something important to say. I have derived a great deal of insight and energy from these conversations. I plan to continue that interaction in a more meaningful fashion.

Over the course of the next year, I intend to hold town hall meetings throughout our city. While I was elected on a city-wide basis, I'm also mayor to each and every community in our city. It's a responsibility that I take seriously because I realize that our neighborhoods are the heart and soul of our city.

### **Chapter 23: Issues important to the communities of San Diego**

This year, we will complete the City's first General Plan Update in 28 years. Unprecedented in scope and depth, the General Plan will provide us with a city-wide framework for our future growth and development.

With the General Plan as its parent, we also intend to update every community plan in the city. We will bring the same kind of new, thoughtful and methodical decision-making approach that we have tried to bring to other processes of city government. During 2007, we will complete the Otay Mesa Community Plan update and initiate plan updates for Barrio Logan and the southern portion of our city.

I'm not a fan of big government and I certainly am not a fan of big, new government office buildings. And we're certainly not at the point in our city's history in which we can afford to make expensive capital investments. One of the commitments I made when you elected me as your mayor was that I would create greater efficiencies and cut costs.

We're at the very first stage of a process that I want to report on this evening. Today, there are more than 2,000 city employees spread out over 5 privately owned office buildings in downtown San Diego.

The leases on the office space they occupy cost the city more than \$12 million per year. Those leases are set to expire in 2013 and 2014. Unfortunately, the city had no plans on what we do next. If we continue the “business as usual” approach, the only plan would be to renew the leases and pay even more. Estimates are that we would pay at least \$5 million more per year – and that’s at today’s rates.

One of the ways in which I intend to distinguish my administration is by properly planning for our future.

So next week, we’ll start studying whether or not it would be feasible to leverage the 4 block civic centre plaza that the city owns and get rid of the expensive off-site leases. This would represent a savings to taxpayers.

We would only proceed with this project if it made sense to taxpayers and created greater efficiencies.

We’re at the very beginning stages of this process and I promise to report on its progress.

The next year will also bring a significant amount of regulatory reform to the way that we administer land use. Our intention is to simplify decision-making processes so that residents and developers alike can count on a predictable course of action. It is my belief that when taken as a whole, the set of reforms we introduce will improve neighborhoods.

#### **Chapter 24: Important progress on bi-national issues**

2006 was also a year during which we made great progress on bi-national issues. Baja California Governor Eugenio Elorduy joins us here this evening.

Governor, would you please stand and be recognized.

For the first time in our region’s history, Governor Elorduy and myself led a joint delegation to Washington, D.C. to advocate for the expansion of the San Ysidro port of entry and the construction of a new commercial crossing, known as Otay II.

We will continue to educate and to lobby. These projects are vital to our region’s economic prosperity and to the cultural heritage that we share with our neighbors to the south. Governor, you have my commitment to continue to work with you to enhance the well-being of the San Diego-Baja California region.

#### **Chapter 25: Chargers and our region’s professional athletes**

Like many of you, I could not be prouder of the San Diego Chargers’ performance this year and wish them well in their quest to bring home the city’s first Super Bowl championship. I am equally as proud of the efforts of the County of San Diego, Oceanside, Chula Vista and National City to keep the Chargers a regional asset.

On January 1<sup>st</sup>, the Chargers gained the opportunity to shop their team to other municipalities nationwide. Chargers President Dean Spanos has publicly committed to not avail themselves of this opportunity, at this time. He hopes to keep San Diego as their home. [PAUSE]

We are fortunate to have some of professional sports' most accomplished athletes playing for both the San Diego Chargers and San Diego Padres. Who can forget the amazing season that led LaDainian Tomlinson to be named as the NFL's most valuable player, the first in Charger history? And what about Trevor Hoffman, becoming Major League Baseball's all-time save leader? And lastly, how proud are we to have our very own Tony Gwynn as the Baseball Hall of Fame's newest inductee? Not only are they the nicest guys you would ever meet, they are all a credit to our community.

### **Chapter 27: Mayor recommits to promise to change, better city**

As I addressed you last year, this City was at the lowest point in its history. We faced challenges that posed imminent risks for our economy, our quality of life and for our civic identity. There were looming problems of such scope that we could not even begin to identify a path toward solutions.

When I addressed you last year, I offered my promise to overcome those challenges and to rebuild our city's government. I made a commitment, on behalf of all San Diegans, to do what was necessary to fix the broken systems, to reform the processes and to commit this city to positive change so that we could rightfully hold our good name as America's Finest City.

Today, we know where we stand. We know the full extent of the challenges and problems we face and we know that we can – and will – overcome each of them if we work forthrightly and collaboratively. In this past year, I believe the character of our city has changed for the better. We are more realistic, more open and more honest with ourselves about what we can – and what we cannot – expect from city government.

I am incredibly optimistic about our city's future. Optimistic that we will emerge from this dark period in our city's history leaner, stronger, more efficient and most importantly, financially stable. 2007 will be the year in which our city moves ahead.

One of the greatest losses of the past year was the death of President Gerald R. Ford. On August 12, 1974, President Ford told a joint session of Congress that “a government that is big enough and powerful enough to give you everything you want -- is a government that is big enough and powerful enough to take everything you have.” That is at the crux of the challenges facing our city.

We cannot, and should not, try to be everything to every person. We must “right-size” this organization – this city government -- by focusing our resources on the things we do well and that only city government can do. We must step back from those things we don't do well or that others do better. If we don't, the problems of the past will pale in comparison to the problems of the future and city government will indeed be in a position to demand everything you have. I am committed to not allowing this to happen.

We have laid out a path for creating the right kind of city government for San Diego and have taken the first steps toward that goal. We have done this as a united community intent on retaining the quality of life that has drawn or kept us here.

Make no mistake about it; the year ahead promises to be a difficult one for all of us.

We will have choices to make. We can choose to manage our problems in a thoughtful and responsible fashion. Or we can allow them to overwhelm us by ignoring them once again.

We can choose to rebuild a city government tarnished by ineptitude and neglect. Or we can choose to capitulate to special interests as we have done in the past.

Those are the choices we have before us tonight.

I stand here this evening once again committing myself to bringing meaningful and lasting reform to city government.

I will continue to work every day to earn your trust and your confidence. I will also continue to be open and honest about our challenges and will join you in celebrating our successes.

Thank you and good night.